

Educational Loan Notes

Monthly Newsletter



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May 2008

PRESIDENT SIGNS HR 5715

On Wednesday, May 07, 2008, President Bush signed into law H.R. 5715, the "Ensuring Continued Access to Student Loans Act of 2008," which is designed to provide continued availability of access to the federal student loan program for students and families. The new law allows the U.S. Department of Education (ED) to temporarily purchase Federal Family Education Loan Program (FFELP) loans from lenders providing them the capital to make new loans. It also increases annual and aggregate loan limits for Stafford unsubsidized loans and assists parents who wish to borrow PLUS loans.

Listed below are highlights of the new legislation:

ED Authorized to Purchase Loans

The act temporarily authorizes ED to purchase FFELP loans originated on or after October 1, 2003, provided those purchases do not result in any cost to the federal government. ED's authority to purchase loans under this provision expires on July 1, 2009.

The act stipulates that if ED acts as a secondary market lender, it must ensure that any proceeds paid to a lender are used in a "manner consistent with ensuring continued participation of such lender in the Federal student loan programs." In other words, it would prohibit lenders from using those proceeds in any other way than ensuring they continue participating in FFELP.

Annual and Aggregate Stafford Loan Limits

For loans first disbursed on or after July 1, 2008, the act:

- Increases the additional unsubsidized Stafford annual limits by \$2,000 for independent undergraduate students, and for dependent undergraduate students whose parents cannot borrow PLUS, but appears to reduce the additional unsubsidized limit for teacher certification to \$6,000 for "undergraduate" students.
- Increases unsubsidized Stafford limits for dependent students by introducing additional unsubsidized amounts of \$2,000.
- Increases aggregate unsubsidized loan amounts for undergraduate dependent students from \$23,000 to \$31,000 (minus subsidized borrowing) but does not appear to extend additional unsubsidized funds for preparatory coursework or teacher certification for these students.
- Increases aggregate unsubsidized loan amounts for undergraduate independent students from \$46,000 to \$57,500 (minus subsidized borrowing).

Parent PLUS Borrowers

Beginning July 1, 2008, the act allows parents to choose to defer payments on a PLUS loan until six months after the date the student ceases to be enrolled at least half-time. Accruing interest could either be paid by the parent borrower monthly or quarterly, or be capitalized quarterly.

Special Provision for Parents Delinquent on Mortgage Payments

The act allows lenders to consider parents eligible for PLUS loans even if, during the period January 1, 2007, through December 31, 2009, the parents are or were:

- No more than 180 days delinquent on a mortgage payment on their primary residence.
- No more than 180 days delinquent on any medical bill payments.
- No more than 89 days delinquent on the repayment of "any other debt."

Changes to ACG & SMART Grants

- Directs all savings generated by the act into the ACG and SMART Grant programs.
- Adds a fifth year to SMART Grant eligibility for programs that require five years.
- Allows students attending at least half-time to qualify for ACG and SMART Grants and requires proration based on Pell Grant methodology for less than full-time attendance.
- Allows eligible non-citizens (e.g. permanent residents) to qualify for ACG and SMART Grants.
- Changes "academic year" to simply "year" for purposes of progression through grant levels, but did not include the companion amendment recommended by NASFAA that would have allowed students who are classified as second year based solely on AP or IB coursework to be considered to have met the second year 3.0 GPA requirement.
- Allows students who are enrolled in an institution offering a single baccalaureate-level liberal arts curriculum that permits no subject area major, but who are taking coursework in an area equivalent to a SMART-eligible major at other bachelor degree granting institutions, to qualify for SMART Grant eligibility.
- Extends first-year ACG eligibility to students enrolled in at least a one-year certificate program and extends second-year ACG to students enrolled in at least a two-year certificate program. In both cases the certificate must be offered by a degree granting institution.
- Appears to remove some of the Secretary's authority to define "rigorous secondary school program of study," permitting only states to designate such programs. This amendment may further restrict what is currently considered a rigorous program.

The new law will be covered at MGA's Spring School Workshops.

MGA'S FEATURED FINANCIAL AID PROFESSIONAL

What do criminal justice and financial aid have in common? In today's environment there probably could be a host of responses to this question. Having a legal mind certainly couldn't hurt in dealing with the complexities of this program, and understanding the rights and wrongs that face our industry would be handy as well. If you combine these skills with nearly 29 years of financial aid experience you have loosely defined MGA's Featured Financial Aid Professional - **Carol Wotta** from Delta College. Her tenure with Delta College began as a criminal justice student. After graduation she was seeking work while contemplating an advanced degree. Simultaneously, the web of financial aid caught her when a clerical position became available. A few position changes over the years and a growing love of helping first generation families suddenly turned into a career. The only thought of a "do over" career outside of financial aid comes when it's close to payment deadline for the semester.

Carol has seen her share of “deer in the headlights” students and parents. The greatest memories are those of seeing excited students and parents who never thought they had an opportunity to experience a college education. The proud parents and the thankful graduates are played over and over in Carol’s mind as she reflects on her rewarding days at Delta College, a two-year public school in rural northeast Saginaw County. She knows that today’s job market and economy have changed the necessary skill levels to compete in a global economy. Delta College is located in what was once a thriving manufacturing and farming community that must now redefine itself in order to survive.

A frustration often felt by Carol is the mindset of parents who still feel that once you’re 18 and/or out of high school, you’re on your own. Carol, knowing the necessity of an education in today’s marketplace and the costs associated, tries to change this “we made it without a college degree – so can you” attitude that has existed for so long in many Michigan communities. Carol recently had the professional development opportunity to attend a workshop presentation by Dr. Ruby Payne. Since 1972, Dr. Payne has been involved with education as a teacher, principal, consultant, and administrator. The lessons learned during those years are the bedrock on which **aha! Process, Inc.** has been built. Dr. Payne’s first book, ***A Framework for Understanding Poverty***, is a powerful training workshop tool for educators to use when dealing with children from poverty. In her book Dr. Payne discusses the hidden rules that govern how each of us behaves in our social class. Those rules, because they are hidden and only known to those within the group, prove to be a major stumbling block for individuals trying to move to a new social class. Students from poverty often languish in classrooms run by members of middle class because those are the rules that govern. Carol highly recommends this workshop or book for financial aid professionals. She also finds the Web site M-Live as a frequent stop for the news and views of the day. For student loan industry news, Carol finds coworkers and institutional peers to be of incredible value and support to her as she seeks understanding of this ever-changing program we simply call FFELP.

One current regulation that Carol would like reviewed/changed in financial aid is the age requirement for independent status. Today’s student may often want to move out soon after high school graduation and live on very little or no support two to three years prior to applying for college financial aid. Yet most often, they must include parental income when packaging aid.

Carol and staff rely heavily on feedback they get from their students when it comes to evaluating student satisfaction. Maybe that’s where Carol’s criminal justice education really pays off – when she is trying to get a sense if the prospective borrower really “gets it” during counseling. Simply put, it’s the number one goal at Delta College to ensure that their students have the information that will help them be successful in attaining their educational goals while at Delta College and any institution they may attend in the future.

Carol has some concerns about the academic preparedness of current high school graduates. In 2003, Delta College instituted assessment test prerequisites for reading, writing, and numerical placement. In the long run, this has become a vital tool in helping increase the odds of success for students obtaining their educational goals.

With personalized student attention being a high priority at the school, the financial aid office performs what they call “on-the-spots” for students who have received follow-up information requests prior to packaging aid. On-the-spots are conducted the final two days prior to payment deadlines and help calm the mass hysteria for students that need assistance. Through on-the-spots, students are instantly packaged, which allows for almost immediate payment. Delta College is gravitating toward online loan processing and electronic funds transfer via ELM to be completed in the fall of 2009. Changes like these might move some long-time veterans to consider retirement, but Carol has no plans to consider that leap. She just hopes that when that day comes she has good health to fully enjoy it.

ED REVISES GUIDANCE ON PREFERRED LENDER LISTS

The U.S. Department of Education (ED) published Dear Colleague Letter [GEN-08-06](#) on May 9, 2008, which provides guidance to schools that provide students, prospective students, and their families with a list of preferred lenders to assist with the selection of an FFEL lender. The letter describes changes from final regulations previously published to take effect July 1, 2008. Text of Dear Colleague Letter GEN-08-06 follows.

Dear Colleague:

On November 1, 2007, the Department published final regulations to amend the Federal Perkins Loan (Perkins Loan) Program, Federal Family Education Loan (FFEL) Program, and William D. Ford Federal Direct Loan (Direct Loan) Program regulations. The Secretary amended the regulations to strengthen and improve the administration of the loan programs authorized under Title IV of the Higher Education Act of 1965, as amended (HEA) (See <http://ifap.ed.gov/fregisters/FR11012007.html>). A key component of those regulations are new rules, which become effective July 1, 2008, governing the development and use of preferred lender lists by the schools that participate in the FFEL Program.

When we published the final regulations, we expressed our view that a preferred lender list can be an effective tool to help families looking for federal student loans to finance the costs of postsecondary education, when the list reflects the school's unbiased research to identify lenders providing the best combination of services and benefits to borrowers at that school. Additionally, by providing this information, schools may help students and their parents navigate the increasingly complex student loan landscape. Further, we believe that a borrower's choice of lender may be better informed by preferred lender lists and other consumer information on the federal student loan process, which play a useful role in assisting financial aid administrators in dealing with the large volume of requests for information and assistance, and in informing borrower choice.

The student loan marketplace has changed significantly since the final regulations were published on November 1, and questions have been raised about the regulations governing preferred lender lists that warrant our response at this time. Some schools have reported that they are having difficulty finding the required minimum of three lenders to include on a preferred lender list. Other schools that have identified lenders for their preferred lender list are concerned that one or more of those lenders may, in the future, choose not to make loans to the school's students, reducing the school's list to less than the required three lender minimum.

Still other schools have asked whether they are free to provide general information about lenders that will or have made FFEL Program loans for attendance at the school without violating the preferred lender list regulations. Finally, schools and lenders have requested clarification of the Department's interpretation of the requirement that the list must contain a certain number of lenders not affiliated with each other.

A school that has been unable to identify at least three lenders that will make loans to its students or parents sufficient to meet the requirements of a preferred lender list may provide the names of the lenders that have indicated that they would provide FFEL loans to the school's students and their parents. In providing this information, the school must make it clear that it is not endorsing the lenders, and that the borrower can choose to use any FFEL lender that will make loans to the borrower for attendance at that institution. Similarly, a school that wants to provide basic information to the school's students and their parents may provide a comprehensive list of lenders that have made loans to the school's students or parents in the past three to five years (or some other period) and that have indicated that they would continue to make such loans. The school should not provide any additional information about the lender, including, for example, the percentage of the school's loans made by the lender. **The school must provide a clear statement that a borrower can choose to use any FFEL lender.**

We are aware that schools meeting the preferred lender list requirement of including a minimum of three lenders on their lists may be notified that one or more of those lenders may decide to discontinue making loans to the school's students and parents. We will take such circumstances, over which a school has no control, into consideration in determining compliance with the regulations until at least July 1, 2009.

Since publication of the regulations, several schools and lenders have asked whether all the lenders on a school's preferred lender list must be unaffiliated, or whether only three lenders on a school's list must be unaffiliated. The Department has reviewed this issue and has determined that the regulations only require that at least three lenders on a school's preferred lender list must be unaffiliated with each other regardless of the number of lenders on that list. While not a requirement, we believe that it would be helpful to consumers for a school to identify, as part of its preferred lender list disclosures, any affiliations among the lenders on the institution's preferred lender list.

If you have any questions on the issues discussed in this letter, please contact Pamela Moran by email at pamela.moran@ed.gov or by phone at (202) 502-7732.

Sincerely,

Diane Auer Jones

LENDER OF LAST RESORT

ED recently released Dear Colleague Letter (DCL) [GEN-08-05](#) that provides guaranty agencies and other interested parties with important information on the implementation of a Lender of Last Resort (LLR) plan for the FFEL Program. In addition, a set of Questions and Answers (Q and A) that provide more details about the LLR process is attached to the DCL. Many of the issues covered in the Q and A are in response to questions specifically submitted by NCHelp, individual guaranty agencies, and others. MGA is reviewing the new guidelines for inclusion in its updated policies and procedures in the event that LLR must be implemented in Michigan.

PLUS MPN STILL VALID

Although it carries an expiration date of March 31, 2008, the current Federal PLUS Loan Application and Master Promissory Note is still valid. According to the U.S. Department of Education (ED), lenders, schools and borrowers should continue to use the form until a revised form is approved. The revised PLUS MPN is working its way through the review process at ED and the Office of Management and Budget.

METEOR SOFTWARE RELEASE OFFERS ENHANCED SUPPORT TO STUDENTS, BORROWERS AND SCHOOLS

NCHELP has announced the launch of version 3.3 of the Meteor Project software. This software release is the result of a collaborative effort to provide financial aid professionals and students/borrowers with secure, online, aggregated loan information from various sources of student aid information. Meteor software enables students to obtain detailed online, real-time student aid information directly from multiple data providers and empowers the financial aid professional to supplement their counseling and award services. The Meteor software can be installed on any organization's Web site, including schools, lenders, guaranty agencies, secondary markets, and servicers. Meteor software is built utilizing open-source components and is licensed as open source which allows for free redistribution of the software and its license.

This latest release of the software includes the following enhancements:

- Access to the National Student Clearinghouse's LoanLocator service – Meteor v3.3 will provide the LoanLocator information that allows users to link directly to a non-Meteor loan holder's Web site. Users will need to log in to the non-Meteor providers site as the inquiry will be outside of the Meteor Network. The LoanLocator link is designed to alert the user to the fact that they have loan data outside of the Meteor Network.
- Enhanced security features – Version 3.3 of the Meteor software includes additional security measures that enhance participants' ability to ensure data privacy as well as amplifies security of the user authentication process.
- Usability and navigation enhancements – Based on student and school user group feedback, version 3.3 provides users with several enhancements that allow easier navigation through the Meteor screens, as well as new messages to assist the user in reading the data provided.

Meteor Network traffic continues to increase as more and more organizations implement access for students through standard Meteor implementations and through customized applications of the software being integrated into current online services. In 2007, Meteor experienced an over 600 percent increase in usage since access to students was first made available in 2006.

For more information about the Meteor Project please visit www.MeteorNetwork.org, or for information about membership and implementation, please contact Tim Cameron at meteor@nchelp.org.

MAPPING YOUR FUTURE RECOMMENDS PREPARING FOR PEAK COUNSELING SEASON



Mapping Your Future recommends financial aid offices review counseling procedures and processes regularly, especially before peak counseling season. During the month of May, many students are completing exit counseling in preparation for graduation, while other students are completing entrance counseling in preparation for the next academic year.

In reviewing your counseling procedures, you may want to take into account the following features of Online Student Loan Counseling (OSLC):

Check the links: Review your communication with students to make sure the links are correct. URLs changed May 1, 2008, so check that the URLs on your Web site have been updated. The new general counseling URLs are:

- Stafford entrance: <http://mappingyourfuture.org/se>
- Stafford exit: <http://mappingyourfuture.org/sx>
- Spanish Stafford entrance: <http://mappingyourfuture.org/sse>
- Spanish Stafford exit: <http://mappingyourfuture.org/ssx>
- Perkins entrance: <http://mappingyourfuture.org/pe>
- Perkins exit: <http://mappingyourfuture.org/px>
- Stafford and Perkins combined entrance: <http://mappingyourfuture.org/spe>
- Stafford and Perkins combined exit: <http://mappingyourfuture.org/spx>
- Health Professions entrance: <http://mappingyourfuture.org/he>
- Health Professions exit: <http://mappingyourfuture.org/hx>
- Nursing entrance: <http://mappingyourfuture.org/ne>
- Nursing exit: <http://mappingyourfuture.org/nx>
- Grad PLUS entrance: <http://mappingyourfuture.org/gpe>
- Grad PLUS exit: <http://mappingyourfuture.org/gpx>
- Stafford and Grad PLUS combined entrance: <http://mappingyourfuture.org/sge>
- Stafford and Grad PLUS combined exit: <http://mappingyourfuture.org/sgx>

Customized counseling start pages: All customized page URLs changed with the Mapping Your Future Web site redesign on March 28, 2008. The correct URLs for customized counseling start pages can be located by logging into your FAO Access Area, mousing over the Customize tab, and clicking on Counseling Start Page.

More information about customized counseling start pages may be found in the OSLC User's Guide at mappingyourfuture.org/oslc/ugcustomization.htm#page.

End URL: Schools may choose to direct the student's browser to another Web page at the end of the counseling session, referred to as the "end URL."

There are two end URL options with OSLC:

1. Use the end URL customization option to have all students go to another Web site at the end of the counseling session, regardless of where the student started the counseling session. To access this customization option, log into your FAO Access Area, mouse over the Customize tab, mouse over End URL, and select the counseling type.
2. Have your technical staff code for the end URL in a link from your Web site. Students who get to the counseling session from other links, the Mapping Your Future home page, etc. will not experience the end URL.

More information on end URL is in the OSLC User's Guide at mappingyourfuture.org/oslc/ugcustomization.htm#direct.

Retrieving records: You may easily monitor the students who have successfully completed counseling sessions by logging into the school's FAO Access Area:

1. Use the Date/Time box in conjunction with the Daily Records box in the upper right-hand corner of the home page to retrieve records one day at a time. To view previous dates, click on the right arrow, select the date, and then click the "Change" button.
2. Use the Search tab to search for a record by confirmation number (if completed within the last 14 days), Social Security Number, or last name.
3. Use the Reports tab to access:
 - Counseling Session Reports to view or print counseling records for a specific date range.
 - Ad Hoc Reports to create a report using the search parameters that you choose, such as multiple counseling types, last name, Social Security Number, date.
4. Use the Export tab to download counseling records in an electronic format.

Guarantor Exception Report: You also should ensure that guaranty agencies are retrieving the students' Stafford exit counseling records through ExitExpress. ExitExpress allows participating guaranty agencies to retrieve that exit data on your behalf. MGA retrieves exit data on behalf of schools.

You are responsible for ensuring the guaranty agency has retrieved the counseling data within 60 days of the counseling session. If the guarantor hasn't retrieved the data within the 60-day period, you need to send the data to them. The Guarantor Exception Report, located under the Reports tab in the FAO Access Area, allows you to review the exit records that guaranty agencies haven't retrieved.

MYF staff recommends that schools review the Guarantor Exception report every three to four weeks and create a date range that goes back at least 120 days. Most guaranty agencies retrieve ExitExpress records on at least a semi-monthly basis; MGA does so weekly.

If you notice that no guarantor is assigned or another guarantor should be added, add the correct guarantor to the record:

1. Select the individual confirmation.
2. Click on the Status link next to "Guarantor" and another window will pop up.
3. Click the Add Guarantor button.
4. Select the correct guarantor.
5. Click the Save button.
6. Click the Close Window button.

Counseling records for which Mapping Your Future cannot match a guarantor will appear in the "No Guarantor Found for This SSN or Date of Birth" or "No Response from the Clearinghouse" sections of the Guarantor Exception Report. You should compare the counseling record with your records to determine the correct information.

If you determine that the SSN or date of birth should be updated on the counseling record, send an email message to feedback@mappingyourfuture.org and include the confirmation number and the updated information, except a full SSN. Please do not send a full SSN via email. Instead, email the confirmation number and the digits that need to be corrected (such as the first three) or ask a staff member to contact you to obtain the correct information.

Note that if your school is currently or has been a Federal Direct Loan school that the Direct Loan Servicing Center does not pick up exit counseling records from Mapping Your Future. For the students who received Federal Direct Stafford loans at your school and complete exit counseling

through OSLC, you must send the Direct Loan Servicing Center a copy of the counseling record so the record may be imaged and stored in the individual borrower's records.

More information about ExitExpress may be found in the OSLC User's Guide at mappingyourfuture.org/oslc/ugexitexpress.htm.

If you have questions about OSLC, contact Beth Ziehmer at feedback@mappingyourfuture.org or 573-796-3730.

SPECIAL ALLOWANCE RATES ANNOUNCED FOR QUARTER ENDING MARCH 31, 2008

ED has announced [Special Allowance Rates](#) for the quarter ending March 31, 2008. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending March 31, 2008, is **2.10** percent. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending March 31, 2008, is **3.24** percent.

NSLDS REPORTING REMINDER

Federal law requires lenders and lender servicers to report all status changes throughout the life of a loan to their guarantors. MGA encourages its lenders to report status changes on a monthly basis. It is crucial that loan information is updated and reported in a timely manner so MGA loan data will match the information on the lender's system. This will ensure that the information sent to the National Student Loan Data System (NSLDS) is accurate.

Status changes to report include, but are not limited to:

- Enrollment status changes
- Cancellation of all or a portion of the loan
- Loan sales or transfers
- Disbursement date changes
- Date loans enter repayment
- Loans that have been paid-in-full or consolidated

Forms currently used by lenders to report changes are:

- Loan Maintenance form
- Borrower/Student Personal Information form
- Sub/Unsub Reallocation form
- Disbursement Change form
- Loan Change form
- Loan Transfer form
- Social Security Number Change form

These forms may be ordered through MGA's Web site at mgaloan.com by choosing "Order Supplies" from the Forms/Documents drop-down menu in the MGA Quick List and selecting the [MGA Forms and Supplies Distributed by Sallie Mae](#) link.

EXTREME REALITY GOES TO THE UPPER PENINSULA

Recently, MGA's Outreach Services staff traveled to Michigan's Upper Peninsula to provide students involved in the federally funded GEAR UP program an opportunity to participate in the

financial literacy activity called Extreme Reality. Working with the GEAR UP coordinators at Northern Michigan University, Michigan Technological University, and Lake Superior State University, Extreme Reality programs were scheduled with eighth and ninth grade students. Nearly 200 students participated throughout the week with class sizes ranging from 12 to 65. This was the first time the Extreme Reality program was facilitated in Upper Peninsula schools.

What makes offering the Extreme Reality program so worthwhile is hearing the students' own insights come forth. Comments such as, "You don't realize how much money you actually spend until you add it all up. Real life is expensive." and, "Kids cost a lot." indicate that most of the students understand the lesson being taught. The classroom teachers expressed their appreciation for the program, and many stated they would conduct follow up discussions to reinforce the lesson of making financial decisions.

Along with the financial aspect of the program is the aspect of choosing a career. For example, staff observed that many students have the perception that only females ought to be nurses, interior designers, or cosmetologists. The careers are assigned randomly and students are not given the opportunity to choose one they would prefer. Along with choosing the career is the realization that if they had a career that required training or postsecondary education the chances of making more money would increase. Even though the concept of matching a career with a particular salary is not clear to students, they do seem to make the connection that certain careers offer more opportunities, but getting there requires the decision to go to college.

Traveling over the Mackinac Bridge, viewing Lake Michigan, and later viewing Lake Superior and forested land still covered in snow was a nice bonus for long hours spent in the car. The trip had only one disappointment – no moose sighting. The local residents' only comment was "good luck on that one." Maybe next time.



Questions or comments regarding the Extreme Reality program may be sent to Peggy LaFleur at lafleurp@michigan.gov or call her at 800-642-5626, extension 38319.

ED PIPELINE

MGA is providing you with descriptions and links to some of the most recent correspondence for schools and lenders from the U.S. Department of Education (ED).

Dear Partner

April 2008

ANN-08-05

This letter announces the availability of the recorded version of Federal Student Aid's first TEACH Grant Implementation and Processing Webinar conducted April 10, 2008, for school financial aid administrators and their staff. This recorded Webinar will provide an opportunity to learn more about the operational implementation of the TEACH Grant Program and to prepare for that implementation for schools that were unable to attend the live Internet event.

Dear Partner
April 2008
[FP-08-03](#)
[GEN-08-03](#)

This letter provides updated assistance for the implementation of a Lender of Last Resort (LLR) program by a guaranty agency in the FFEL Program. Guaranty agencies are instructed to submit updated LLR rules and operating procedures to ED for review and approval.

Dear Partner
April 2008
[FP-08-04](#)
[GEN-08-04](#)

This letter announces an increase in the aggregate loan limit for graduate and professional students enrolled in certain approved health profession programs.

Dear Partner
May 2008
[GEN-08-05](#)

This letter provides further information and guidance to guaranty agencies to ensure consistent borrower access to FFEL Program loans through the efficient and effective implementation of the LLR program.

Dear Partner
May 2008
[GEN-08-06](#)

This letter provides guidance to schools that provide students, prospective students, and their families with a list of preferred lenders to assist with the selection of an FFEL Lender.

UPDATES TO MGA'S PARTICIPATING LENDER LIST

MGA has updated its Participating Lender List to provide the most current information available regarding our FFELP lending partners. This revised list is updated regularly on our Web site at mgaloan.com, with the date and time of the last update noted next to the link. The link may be accessed from our home page under MGA Highlights.

When downloaded, this Excel document will allow users to sort information by lender code, lender name, servicer, etc. It also provides information regarding additional lending criteria which a lender currently may be utilizing.

Please discard any paper copies you may have of MGA's Participating Lender List dated May 4, 2007, as that list is obsolete. If you have any questions regarding the revised Web-based list, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

The following lender changes have occurred since the last issue of *Educational Loan Notes* and are reflected on the updated Participating Lender List. Please note that MGA can speak only to a lender's relationship with our agency. If you have questions regarding a lender's participation with another guarantor, we suggest you contact that lender or guarantor directly.

No Longer Participating

The following lenders are no longer participating with MGA:

- Ardent Financial U.S. Bank NA as ELT, 834368
- Comerica Bank, 622660
- Comerica Bank, 822660
- Comerica Bank, 825230
- Kentucky Higher Education Student Loan Corp., 826688
- Members First Credit Union, 828388
- Michigan Higher Education Student Loan Authority, 825585
- Missouri Higher Education Loan Authority, 834023
- Pecos Student Finance Corp/Trustee Wells Fargo, 833666
- Student Loan Finance Corporation, 833405
- Wachovia Education Finance Inc., 802445
- Wells Fargo Bank Texas NA/ATF Bosque HEA, 833961

The following lenders do not originate loans and have been removed from our Participating Lender List because they are holders only:

- Chela Funding I LLC, 820192
- Nelnet Student Loan Trust/Zions FNB as TTEE, 833934
- NHELP II/Zions FNB as ELT, 833456
- NHELP III, Wells Fargo ELT, 833670
- Zions FNB ELT Nelnet, 833907

Lender Name Change

AMSA Advantage Loan Program, 833874, has changed its name to Health Education Solutions.

UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated January 30, 2008. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

Contact Information Update

Charles S. Mott Community College, Flint, 002261-00

Pam Boyle's title has changed to Financial Aid Specialist.

University of Phoenix, Grand Rapids, 020988-00

Remove Andrea Kennett. For assistance contact the Financial Aid Office at 1-866-766-0766.

University of Phoenix, Southfield, 020988-00

Remove Lisa Pearson. For assistance contact the Financial Aid Office at 1-866-766-0766.

“Q” & “A”

Paying Credit Balances: Stored-value and Prepaid Debit Cards

What are a school's options for paying credit balances?

A school may pay a credit balance to a student by issuing a check payable to and requiring the endorsement of the student or parent. A school is considered to have issued the check on the date that it mails the check to the student or parent or notifies the student that the check is available for immediate pickup. The notice to the student must include the specific location where the student can pick up the check. The school may hold the check for up to 21 days after the date it notifies the student. If the student does not pick up the check within the 21-day period, the institution must immediately mail the check to the student or parent, initiate an electronic funds transfer (EFT) to the student's bank account, or return the funds to the appropriate Title IV HEA program.

A school may also pay a credit balance by initiating an EFT to a bank account designated by the student or the parent. A school may establish a policy requiring its students to provide bank account information or to open an account at a bank of their choosing, as long as this policy does not delay the disbursement of Federal Student Aid (FSA) funds to students. Consequently, if a student does not comply with the school's policy, the school must nevertheless disburse the funds to the student either by dispensing cash for which the school obtains a signed receipt or issuing a check. A school must disburse the credit balance within the regulatory timeframes.

Note: *Bank Account* means a Federal Deposit Insurance Corporation (FDIC) insured account or a National Credit Union Share Insurance Fund (NCUSIF) account. This account may be a checking, savings, or similar account that underlies a stored-value card or other transaction device.

Why use a stored-value card and prepaid debit card? Is there a difference between them?

A stored-value card is a prepaid debit card that can be used to withdraw cash from an automated teller machine (ATM) or to purchase goods from a merchant. A stored-value card is distinguished from a traditional debit card by defining a stored-value card as not being linked to a checking or savings account.

What are the conditions allowing for stored-value or prepaid debit cards to pay Federal Student Aid funds?

The conditions for using stored-value or prepaid debit cards are:

- A school must obtain a student's authorization to use a stored-value card for paying Federal Work Study (FWS) wages.
- The value of the card must be convertible to cash, i.e. a student must be able to use it at an ATM to make cash withdrawals. In some cases the cards are branded with the VISA or MasterCard logo to buy goods and services. There is no expectation a school would limit the use of the card to specific vendors.
- A student should not incur any fees for using the card to withdraw the disbursement from ATMs or the issuing bank or credit union.
- So long as ATMs from the issuing bank are conveniently located for a student, it would appear to be reasonable for a fee to be charged if the student chooses to use an ATM that is not affiliated with the issuing bank.

- A student should not be charged by either a school or the affiliated bank for issuing a stored-value card, but it would be reasonable if a student were charged for a replacement card.
- In order to minimize any risks with disbursing funds to a stored-value card account set up for a student, each individual student's account at the bank or credit union must be FDIC or NCUSIF insured.
- In order for the disbursements to the stored-value card to be treated as payments made to a student, a school cannot make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- Since the stored-value card is being set up to disburse FSA funds to a student, the account should not be marketed or portrayed as a credit card account and should not be structured to be converted into a credit card at any time after it is issued.
- A bank may wish to use its relationship with a student to offer other banking services such as checking accounts, savings accounts, or credit cards, but those should not link to the stored-value card account.
- A school must inform a student of any terms and conditions associated with accepting and using the stored-value card.
- A school must ensure that its stored-value card process meets all regulatory timeframes. (For example, a student must have access via the card to any credit balance within the 14-day timeframes in 34 CFR 668.164, or to any FWS wages at least once per month). If a school fails to obtain a student's authorization, the school must have an alternative means of ensuring the student has access to his or her FSA credit balance within the time allowed by regulations and at no cost to the student.
- A student's access to the funds on the stored-value card should not be conditioned upon the student's continued enrollment, academic status, or financial standing with the institution.

This information is from the *Federal Student Aid Handbook*, Volume 4, Chapter 2.

CALENDAR OF UPCOMING EVENTS

May 2008

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| 20 | MGA Spring School Workshop
Grand Rapids Community College
M-TEC
Grand Rapids, Michigan |
| 21 | MGA Spring School Workshop
Schoolcraft College
VisTaTech Center
Livonia, Michigan |
| 26 | MGA Offices Closed |

June 2008

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| 29-7/2 | MSFAA Summer Training
Crystal Mountain
Thompsonville, Michigan |
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July 2008

- 4 MGA Offices Closed
 - 6-9 NASFAA Annual Conference
Walt Disney World Swan and Dolphin Resort
Orlando, Florida
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